

Exhibit B

Page 117

1 DAVID SKEEL

2 A The difference between what
3 National recovers under the plan as it's
4 currently written and what the
5 non-settling bondholders and monolines
6 recover is meaningful. Again, it would
7 depend on what the CVI possibility is.

8 Q In the 2019 RSA that we
9 looked at, the other monolines, besides
10 National and the ad hoc group, the
11 bondholders all got the same exchange
12 rate; right?

13 A I believe that is correct.

14 Q Is it your view as a board
15 member that National's different
16 treatment from other bondholders and
17 monolines is necessary to PREPA's
18 reorganization?

19 A I don't know whether -- I
20 would say necessary because that involves
21 speculation about different possibilities
22 for reorganization. What I will say is,
23 it is an important piece of what we think
24 is a confirmable plan of adjustment.

25 Q Why do you say that?

1 DAVID SKEEL

2 A Why do I say it's an
3 important piece?

4 Q Yes.

5 A Because National is one of
6 the largest creditors. All told, they're
7 owed about a billion dollars when you
8 consider all of their claims. And as a
9 result of this settlement, they are
10 agreeing to give up their -- they've
11 agreed to give up their claims, that they
12 were fully secured, that they were
13 entitled to not just 100 cents on the
14 dollar, but 100 cents plus accrued
15 interest. They agreed to give all of
16 that up. And they agreed to take
17 significantly less. They agreed to
18 support the plan. They agreed to vote in
19 favor of the plan, all of which are very
20 attractive benefits to us.

21 Q Is the reorganization
22 contemplated by the plan unworkable in
23 the absence of the National settlement?

24 MR. FIRESTEIN: Objection,
25 vague.

1 DAVID SKEEL

2 A That's very speculative.

3 There are lots of different possible
4 confirmable plans of adjustment.

5 Q Under the plan of
6 adjustment, the National settlement is
7 not offered to the other bondholders and
8 monolines; correct?

9 MR. FIRESTEIN: I'm sorry.

10 Let me just read the question. I had
11 asked for realtime. But I didn't get
12 one.

13 MR. ORSECK: I'll say it
14 again.

15 Q Under the plan of
16 adjustment, the term of the National
17 settlement is not provided to the other
18 bondholders or monolines; correct?

19 A That is correct. The plan
20 of adjustment -- the current plan of
21 adjustment does not provide the same
22 terms for other monolines or bondholders.

23 Q Was the same exchange rate
24 or the same deal reached with National
25 offered at some point to other

1 DAVID SKEEL

2 bondholders; right?

3 MR. NATBONY: Yes.

4 A There is -- there are
5 reasons why the fuel line lender recovery
6 looks like what -- looks the way it
7 looks, is what it is.

8 Q What do you mean by that?

9 A There were negotiations that
10 led to the agreement with the fuel line
11 lenders. And the negotiations were very
12 much specific to the attributes of the
13 fuel line lenders' claim, which is quite
14 different from the bondholders' claim.
15 And the argument that the fuel line
16 lenders made was that they were entitled
17 to current expense treatment. And they
18 were entitled to 100 cents on the dollar.
19 And they had a number of reasons for that
20 argument.

21 And we settled it. And we
22 concluded that the settlement we reached
23 was appropriate, given the arguments that
24 they had, the benefits that we would get
25 from the settlement and the overall

1 DAVID SKEEL

2 structure of the settlement.

3 Q What was the benefit -- what
4 were the benefits that you believe that
5 the board and PREPA would have gotten by
6 entering into that settlement?

7 A The benefits were that they
8 compromised their claim at less than 100
9 cents on the dollar. And we thought it
10 was a pretty strong claim. They are a
11 sizable claim that is now supportive of
12 the plan and will vote in favor of the
13 plan of adjustment and will not object to
14 the plan of adjustment. And all of those
15 were attractive benefits.

16 Q And can you identify what in
17 particular swayed the board to accept an
18 84 percent recovery rate?

19 MR. FIRESTEIN: I think the
20 form of your question seeks
21 deliberative process. I'll instruct
22 the witness not to answer. He's
23 already told you what his
24 understanding was of it. You can
25 reframe, if you wish.

1 DAVID SKEEL

2 Q With respect to you as a
3 voter on the -- let's start with this.

4 The board did vote and
5 approve the PSA for the fuel line
6 lenders; correct?

7 A Yes. The board did.

8 Q And in your view, what
9 argument presented by the fuel line
10 lenders in particular swayed you to
11 approve the PSA?

12 A I don't know that there was
13 a single argument that swayed me to vote
14 yes. I will say that they had and have a
15 couple fairly strong arguments for
16 current expense treatment that other
17 creditors didn't have. One of those
18 arguments is that they are specifically
19 mentioned in the trust indenture.

20 Another is that they claimed
21 that there are more than one contract
22 with PREPA where PREPA said that they are
23 current expense claimants. And we oppose
24 those arguments. And we took litigation
25 positions against those arguments. But

Page 201

1

DAVID SKEEL

2

Are you able to look at this
trust agreement and point to me where
there is a current expense definition
that includes the fuel line lender
claims?

7

MR. FIRESTEIN: It's 124

8

pages.

9

MR. NATBONY: The
interrogatories said that it's in
there. I'm asking him to point to
where it is.

13

MR. FIRESTEIN: The
interrogatory is a response made on
behalf of the entity. You know the
difference between what someone's
personal knowledge is and what an
interrogatory response is. And
putting a 124-page --

20

MR. KIRPALANI: You're
chewing up a lot of our time with
these speaking objections.

23

MR. FIRESTEIN: Can I tell
you, Susheel? What's chewing up a
lot of our time is asking about

1 DAVID SKEEL
2 questions pertaining to pleadings
3 that were filed four years ago.
4 We've gone through it over and over
5 again.

8 Q Mr. Skeel, do you know where
9 in the trust agreement, there is a
10 definition showing that the fuel line
11 lender expenses are current expenses?

12 A I am not particularly
13 familiar with the terms of the trust
14 agreement. So I would have difficulty
15 finding particular provisions.

16 Q Are you aware whether in the
17 trust agreement, current expenses are
18 defined in a manner that makes
19 post-petition interest senior to
20 bondholder claims?

21 MR. FIRESTEIN: Calls for a
22 legal conclusion, lacks foundation.

23 A I don't know, one way or
24 another.

Are you familiar at all

1 DAVID SKEEL

2 whether -- strike that.

3 MR. NATBONY: Let's put that
4 aside.

5 Q There's a current plan in
6 place for PREPA; correct?

7 A That is correct.

8 Q And under the plan, new
9 bonds are going to be issued by PREPA;
10 right?

11 A That is correct. New bonds
12 will be issued.

13 Q Do you know whether under
14 that plan, bondholders have any recourse
15 to compel PREPA to pay back principal and
16 interest?

17 MR. FIRESTEIN: Calls for a
18 legal conclusion.

19 A What do you mean by compel
20 creditors to pay back?

21 Q Well, for instance, are you
22 familiar with the concept of an interest
23 rate covenant?

24 A Yes, I am.

25 Q And that's different than a

Page 321

1 DAVID SKEEL

2 that the fuel line lenders' argument,
3 that they are entitled to current expense
4 priority, would give them priority over
5 the claims only of the bondholders and
6 not other creditors?

7 MR. FIRESTEIN: I'm sorry.

8 Hold on one second. Lacks
9 foundation, calls for a legal
10 conclusion. You can answer if you
11 know.

12 A What I would say is I would
13 need more to the question. It would give
14 them priority over the bondholders. I
15 don't know that it would give them
16 priority over everybody. It would depend
17 on who those other creditors are.

18 Q Well, are you aware of any
19 basis on which the fuel line lenders
20 could claim priority over creditors,
21 other than the bondholders?

22 MR. FIRESTEIN: Hold on.

23 I'm going to object to the question
24 and direct you that if your source of
25 information is anything other than

Page 322

1 DAVID SKEEL

2 what you've communicated with your
3 lawyers, you could speak to that. If
4 it's based on communications with
5 your lawyers, I'll instruct you not
6 to answer. With that admonition, can
7 you answer the question?

8 THE WITNESS: I'm not sure.

9 A Can you ask the question
10 again?

11 Q The question was, I asked
12 you if you were aware of any basis on
13 which the fuel line lenders could claim
14 priority over creditors, other than the
15 bondholders.

16 A What I could say is their
17 principal argument for special treatment
18 is their current expenses argument. I
19 can't say more than that.

20 Q You don't know whether that
21 current expense argument would give them
22 priority over creditors, other than the
23 bondholders?

24 MR. FIRESTEIN: Same

25 objection.

1 DAVID SKEEL

2 A I don't know the precise
3 parameters of how far that goes, no.

4 Q You believe, Mr. Skeel,
5 that -- Professor Skeel that it's
6 reasonable that the fuel line lenders
7 receive a better recovery under the plan
8 than general unsecured creditors?

9 A Well, I'm going to push back
10 a little bit on the terms of the question
11 because it is possible for the unsecured
12 creditors to be paid 100 cents on the
13 dollar, depending on happens in the
14 litigation.

15 Q Assuming that the scenario
16 that we talked about earlier?

17 A Full 8 and a half billion?

18 Q Full 8 and a half billion
19 and \$800 million in claims, in that
20 situation, it's reasonable in your view
21 for the fuel line lenders to receive a
22 higher recovery than unsecured creditors?

23 A I do believe it's
24 reasonable, yes.

25 Q How can you say that's

1 DAVID SKEEL
2 reasonable without having an
3 understanding of whether the fuel line
4 lenders have any argument that they're
5 entitled to priority over general
6 unsecured creditors?

7 A I can say it relying on my
8 lawyers.

12 A I 've been given enough
13 information about the settlement and the
14 strengths of the arguments on both sides
15 to be able to determine its
16 reasonableness in my view.

17 Q But you're not able to tell
18 me without revealing communications with
19 counsel whether you're aware of any basis
20 for the fuel line lenders' position that
21 they have priority over general unsecured
22 creditors?

23 A I 've already said I don't
24 know all of the parameters of the current
25 expense, seniority that they've argued

Page 328

1 DAVID SKEEL

2 answered.

3 Q Has the board done any
4 analysis of -- has the board or PREPA
5 done any analysis of whether the fuel
6 line lender claims, in fact, qualify as
7 current expense claims?

8 MR. FIRESTEIN: So, A, it's
9 compound. B, to the extent it's
10 directed at the board, it's the
11 deliberative process piece which is
12 not proper. So start with the
13 compound piece. You said the board
14 or PREPA.

15 Q Has the board done any
16 analysis of whether the fuel line
17 lenders' claim qualify as current expense
18 claims?

19 MR. FIRESTEIN: You can
20 answer that question yes or no, if
21 you know.

22 A Yes. If the board is
23 defined as the board and its advisors,
24 yes.

25 Q And I assume you're not

1 DAVID SKEEL

2 going to be able to tell me the
3 conclusion of that analysis?

4 A Correct.

5 Q Has PREPA, to your
6 understanding, done any analysis of
7 whether the fuel line lenders' claim
8 qualify as current expense claims?

9 A I don't know.

10 Q Has the board, to your
11 understanding, done an analysis of
12 whether any general unsecured claims,
13 other than the fuel line lender claims,
14 qualify as current expenses?

15 MR. FIRESTEIN: It's the
16 same yes-or-no question, if you know.

17 A I don't know.

18 Q Do you personally have any
19 understanding of whether claims within
20 the general unsecured claims pool also
21 qualify as current expenses?

22 MR. FIRESTEIN: If you know.

23 A I do not know of a
24 particular claim that qualifies. It is
25 possible that there is an unsecured claim

DAVID SKEEL

2 that qualifies in my view.

3 Q If there was another
4 unsecured claim that qualifies as a
5 current expense claim, is there any
6 reason, to your knowledge, why a fuel
7 line lender's claim would be entitled to
8 better treatment than such other
9 unsecured claim that is also a current
10 expense claim?

19 A I 'll just say that there are
20 other considerations that go in.
21 Settling a big claim is more attractive
22 than settling a small claim. So I really
23 can 't answer the question in the
24 abstract.

1 DAVID SKEEL

2 considerations, are you aware of any

3 reason why a fuel line lender's claim

4 would have a greater legal entitlement to

5 payment from PREPA as compared to another

6 general unsecured claim that is also a

7 current expense claim?

21 MR. FIRESTEIN: You could
22 argue that sometime if you'd like.
23 But he's already articulated for you
24 what his reasonable basis is.

1 DAVID SKEEL
2 completely secured. And they were
3 entitled to 100 cents on the dollar, plus
4 post-petition interest for the duration
5 of the case. And in return for the
6 settlement, they compromised that
7 argument and agreed to take the
8 71.65 percent.

15 Q The settlement with National
16 was reached the end of January,
17 approximately, of this year; is that
18 right?

19 A I don't remember exactly
20 when it was. But it was sometime around
21 then.

22 Q And then sometime after
23 that, the court issued its summary
24 judgment decision in the lien challenge
25 litigation?

1 DAVID SKEEL

2 A That is correct.

3 Q Have you -- strike that.

4 Do you believe that sitting
5 here today, in light of the decision
6 issued by the court, concerning the
7 narrow scope of National's lien that the
8 National settlement is still reasonable?

9 A I think it was a very
10 reasonable -- it is a reasonable
11 settlement. We settled it at a time when
12 we didn't know what the outcome of
13 that -- of that litigation is. And I
14 think it was a very sensible settlement.

15 Q And at the time you settled
16 it, that litigation was ongoing; right?

17 A It was ongoing, yes.

18 Q And when you entered into
19 the settlement, you knew that the
20 litigation would continue; right?

21 A We knew that -- we knew it
22 would continue. It had been argued. And
23 it would continue.

24 Q Does the National settlement
25 contain any kind of fiduciary out or

1 DAVID SKEEL

2 other provision that would allow the
3 board to either get out of the deal or
4 restructure it in light of the court's
5 ruling?

6 A I don't remember whether
7 there were -- whether there were
8 provisions of that sort or not.

9 Q Also, do you have any
10 understanding of whether the board could
11 get out of the deal today, if it wanted
12 to based on the new facts before it,
13 including the decision the court has
14 issued?

15 A I would have to look at the
16 agreement to read through the various
17 provisions and conditions in the
18 agreement. So sitting here today, I
19 don't know what the precise details are.

20 Q Well, do you believe the
21 board has a duty to reevaluate the
22 reasonableness of this settlement in
23 light of the court's decision?

24 A I believe that the
25 settlement was reasonable when we made

1 DAVID SKEEL

2 it. And I don't believe that the court's
3 decision has changed that fact. It still
4 was reasonable when we made it.

5 Q Well, the court's decision
6 drastically changes the scope of the
7 bondholders' security interest, including
8 National, as compared to what they were
9 arguing in the litigation; right?

10 A It does, although there are
11 still some open variables. There's still
12 the possibility that it will be appealed.
13 And the extent of the bondholders' claim
14 is -- is not yet clear. There still are
15 open issues in the litigation.

16 Q And because of the open
17 issues that remain in litigation today,
18 it's your view that the National
19 settlement, as it is set forth in the
20 National PSA and in the plan, remains
21 reasonable?

22 A I believe it is a reasonable
23 settlement, yes.

24 Q In addition to the
25 71.65 percent exchange rate of the Series

1 DAVID SKEEL

2 Q What are those contributions
3 and benefits?

4 A So this is shifting fees to
5 the structuring fee. The kinds of
6 contributions that are included in that
7 include their involvement in structuring
8 the bond indenture, the new bonds that --
9 new bond indenture that will be put in
10 place, the new bonds that will be part of
11 that. It also includes them committing
12 to support the plan, to vote in favor of
13 the plan and in my view, the public good
14 that they provide as a result of all
15 that.

16 Q So you switched to the
17 structuring fee?

18 A Yeah.

19 Q What value or benefits did
20 National provide in order to justify the
21 3 percent consummation fee that we were
22 talking about before?

23 A I think part of that is some
24 of the same benefits. But the focus of
25 the fee is primarily on reimbursing

1 DAVID SKEEL

2 attorneys' fees and professionals' fees.

3 Q National is also receiving
4 what's called an interim charge which is
5 I think a tenth of a cent per kilowatt
6 hour during the pendency of PREPA's case;
7 is that correct?

8 MR. FIRESTEIN: You could
9 restate your question.

10 Q Are you familiar with
11 something that has been referred to as an
12 interim charge that National is also
13 receiving out of the settlement?

14 A Yes. I'm familiar with the
15 interim charge.

16 Q And do you believe that's
17 reasonable?

18 A I believe that is
19 reasonable, yes.

20 Q What is the basis for that
21 interim charge?

22 A The interim charge, which I
23 believe is National's pro rata share of
24 1 percent, which would work out to I
25 believe roughly one-ninth of 1 percent,

1 DAVID SKEEL

2 is kind of a carrying cost fee for the

3 fact that the plan will not be confirmed

4 and go effective immediately. And so

5 it's a payment to them for the delay, in

6 effect.

7 Q And National is not entitled
8 to post-petition interest; correct?

9 A National is -- as things
10 stand now, if the district court's lien
11 decision is upheld, if it's appealed,
12 National would not be entitled to
13 post-petition interest.

14 Q And you're saying if that
15 was appealed successfully, they could be
16 entitled to post-petition interest?

17 A Potentially, yes.

18 Q I want to talk about the
19 reimbursement claim which you provided
20 some testimony on earlier. I want to try
21 to find what I wrote down about your
22 testimony.

23 I believe you said you
24 characterized the National reimbursement
25 claim as a contractual obligation owed by

Page 350

1 DAVID SKEEL

2 PREPA to pay National for moneys that it
3 paid to bondholders, post-petition, has
4 interest on the bonds; is that correct?

5 A I would just say the amounts
6 paid post-petition to bondholders that
7 National insured.

8 MR. FIRESTEIN: Before you
9 ask your next question, I have a
10 technical issue.

11 Q The amounts paid
12 post-petition, those are interest
13 payments; correct?

14 A It is primarily interest
15 payments. I don't know whether there are
16 other components of that or not.

17 Q And I think the way you
18 characterized this earlier, your words
19 that you think that National had a
20 plausible argument, that they were
21 entitled to payment on their
22 reimbursement claim, but not a strong
23 argument?

24 A In my view, they had a
25 plausible argument, but not -- it was

1 DAVID SKEEL

2 entitlement to recovery on account of its
3 claims, which are unsecured, other than
4 the approximately \$17 million in the
5 sinking fund?

6 MR. FIRESTEIN: It's an
7 incomplete hypothetical.

8 MR. BASSETT: I'll strike
9 the question. I'll rephrase it.

10 Q So assuming that the
11 National -- assuming that the summary
12 judgment decision is not overturned on
13 appeal, then National only has a secured
14 claim to the extent of the moneys in the
15 sinking fund; correct?

16 A That is correct.

17 Q Aside from that secured
18 claim, on account of whatever unsecured
19 claim National ends up having against
20 PREPA, would National have any greater
21 legal entitlement to recovery than other
22 general unsecured creditors?

23 MR. FIRESTEIN: Calls for a
24 legal conclusion, lacks foundation.

25 You can answer if you understand.

Page 357

1 DAVID SKEEL

2 A National's deficiency claim
3 would be an unsecured claim with the same
4 status as general unsecured claims.

5 Q So other than the likelihood
6 of that decision being overturned on
7 appeal, can you think of any reason why
8 National's claim is different than
9 general unsecured claims for purposes of
10 the 1129(b)1 analysis we talked about
11 earlier?

12 A Subject to the same
13 qualifications. If we're talking about
14 just not the secured portion, we're
15 talking about the deficiency claim, it
16 does seem to me that it has the same
17 stature as a general unsecured claim or
18 would.

19 Q And it's also possible that
20 an appeal or -- you understand that it's
21 possible that the district court will
22 decide that bondholders have an unsecured
23 deficiency claim much lower than
24 \$8.5 billion?

25 A I understand that that is

1 DAVID SKEEL

2 possible, yes.

3 Q And you understand that it's
4 possible that following an appeal to the
5 1st Circuit, the 1st Circuit could
6 determine that National does not have and
7 the bondholders do not have any recourse;
8 correct?

9 A That is possible, yes.

10 Q In fact, depending upon the
11 outcome of the claim estimation process
12 pending before the district court, it's
13 possible that National's settlement could
14 generate a recovery for National that is
15 in excess of its allowed claim?

16 A You're going to have to say
17 that question again. I didn't follow it.

18 Q To the extent that the -- to
19 the extent the district court were to
20 determine that the bondholders'
21 deficiency claim is, let's say, only half
22 of the asserted amount, which is 8 and a
23 half billion, then National's claim would
24 only be half of its asserted amount as
25 well; correct?